

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING  
1594 West North Temple - Suite 1210  
Box 145801  
Salt Lake City, Utah 84114-5801  
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Fax: (801) 359-3940

ANNUAL REPORT OF MINING OPERATIONS

The informational requirements of this form are based on provisions of the Mined Land Reclamation Act, Title 40-8, Utah Code Annotated 1953, as amended, and the General Rules as promulgated under the Utah Minerals Regulatory Program. An operator conducting mining operations under a Notice of Intention must file an annual operations and progress report (FORM MR-AR) with the Division.

I. General Information

1. Report Time Period: From (mo./yr.) JAN '06 To (mo./yr.) JAN '07
2. DOGM File Number (Mine No): M 470064
3. Mine Name: COTTONWOOD
4. Mineral(s) Mined (or permitted to mine): GILSONITE
5. Type of mine:  Surface Mine or  Underground Mine
6. Legal Description (Location of Lands Affected):  
     1/4,      1/4,      1/4, Section 35, Township 10S, Range 21E  
     1/4,      1/4,      1/4, Section     , Township     , Range       
     1/4,      1/4,      1/4, Section     , Township     , Range
7. Name of Operator or Company: LEXCO INC
8. Permanent Street Address: BOX 1198  
City, State, Zip: VERNAL, UTAH 84078  
Phone: 435 545-2477 Fax: 435 545-2476 E-mail: LEXCO@UBTANETWB.COM
9. Company Representative (or designated operator):  
Name: JAMES M. LEXAS  
Title: PRES.  
Business Address: BOX 1198  
City, State, Zip: VERNAL, UTAH 84078  
Phone: 435 545-2477 Fax: 435 545-2476 E-mail: LEXCO@UBTANETWB.COM  
 Please check if any of the above information has changed since previous year.

II. Mining and Reclamation

1. Was there any mine related activity during the past year? Yes  No
2. If no - what was the last year of activity?

*Reviewed  
2/14/07  
MAB*

RECEIVED

JAN 24 2007

DIV. OF OIL, GAS & MINING

3. Report the gross amount of ore mined and waste moved, as well as the arrangement, positioning, or distribution of the material. \_\_\_\_\_  
13,395 TONS
4. Briefly describe the type of work performed, during the past year. \_\_\_\_\_  
UNDERGROUND MINING AT COTTONWOOD #1+2
5. How much **new or additional acreage** was disturbed during the past year? 0
6. How much acreage was **reclaimed** during the past year? 0
7. Briefly describe the reclamation work performed during the past year. This description should include methods employed, and an evaluation of the results. (Submit form MR-SITE for an application for full or partial bond/site release). 0
8. What is the **total** disturbed acreage of entire project at years end? LESS THAN 4 ACRES
9. Briefly summarize any mining and/or reclamation plans for the upcoming year.  
CONTINUE UNDERGROUND MINING AT #1+#2  
CONSTRUCT NEW MINE
10. The operator shall keep and maintain timely records relating to his performance under the Act, and shall make these records available to the Division upon request.

**NOTE:** Section III., "Additional Information" applies only to **large mining operations**.

III. Additional Information - R647-4-121.2

1. **Include an updated map depicting surface disturbance and reclamation performed during the year**, prepared in accordance with Rule R647-4-105.

IV. Signature Requirement

**I hereby certify that the foregoing is true and correct.**

Name (Typed or Print): JAMES M. LEKAS  
 Title of Operator: PRES  
 Signature of Operator: [Signature]  
 Date: 1/19/07